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SUBJECT: ESTONIAN INTERNATIONAL AID AND DEMOCRACY PROMOTION

REF: TALLINN 432

11. (SBU) SUMMARY: Given its success with rapid democratic and economic reform, Estonia enjoys a high level of credibility and influence with developing countries seeking assistance. As part of the Government of Estonia's (GOE) larger plans to promote democracy and market-based development, development assistance is playing a more important role in Estonian foreign policy. Although Estonia's development assistance is focused on four priority countries (e.g., Afghanistan, Georgia, Ukraine, and Moldova), the GOE continues to expand its internal assistance budget to promote democracy and development in the region and around the world. End summary.

Overview of Estonian Foreign Assistance

12. (U) As Estonia does not have a separate development aid ministry, the Ministry of Foreign Affairs (MFA) coordinates all Estonian aid. In 2006, the GOE spent \$15.29 million on disaster relief, public sector institution building, and support to multilateral and international organizations' development assistance programs. A breakdown of the GOE's 2006 assistance reveals the following: 86% for multilateral and international organizations (\$13.15 million) and 14% for bilateral assistance (\$2.14 million).

13. (U) In a July editorial in Eesti Express, Estonia's leading weekly current affairs newspaper, Foreign Minister Urmas Paet wrote that development assistance and democracy promotion will play an increasingly important role in Estonian foreign policy. "We are setting ever higher targets in international development cooperation," FM Paet wrote, "after all, it is embarrassing for us that cows in Europe receive a subsidy of [\$2.62] per day while half of the world earns less." In 2006, Estonia devoted 0.084% of its Gross Domestic Product (GDP) to development cooperation (up from 0.08% in 2004), and has pledged to steadily increase its contribution to 0.1% by 2010. For 2007, the MFA has set for itself a goal of spending \$15.62 million (0.094% of GDP) on humanitarian aid and cooperation development. (Note. The MFA is responsible for over 90% of the GOE's total foreign assistance budget. End Note.)

14. (U) The MFA has made supporting new democracies in their reforms the main objective for Estonian assistance. This involves supporting initiatives that provide peace, democracy, protect human rights, promote economic and social stability, and eradicate poverty in accordance with internationally approved principles of sustainable development. Estonia's own example of creating stable and democratic public institutions and a vibrant economy so quickly after five decades under the Soviet system have given it enormous credibility within the region and the wider world. Nenad Kolev, Macedonian Minister-Counselor to

Estonia, told us "Bigger and richer countries provide us with more assistance, but we see Estonia as a model and example that we can learn from" to explain Macedonia's rationale for establishing a diplomatic mission in Tallinn.

¶15. (U) As NGOs are still relatively new to Estonian society, the MFA has made it a priority to promote them through consultations with the Estonian Development Co-operation Roundtable. This MFA initiative has helped the Estonian NGO community coordinate amongst themselves better and allowed the GOE to outsource some of its projects to the NGOs. For example in 2006, in response to the expulsion of Belarus university students from their home country for publicly supporting pro-democracy opposition parties, the MFA set up scholarships for 10 of them to continue their studies in Estonian universities and tasked the Open Estonian Foundation (OEF), an NGO specializing in democracy promotion in the region, with implementing the project. Kelly Grossthal, Project Manager for the OEF's Support Group for a Free Belarus, told us the partnership has been successful and hopes to see further collaboration of this type.

Estonian Assistance in more Detail

¶16. (U) During 2006-2007, approximately 85% of Estonia's total foreign aid was in contributions to international and multilateral organizations on projects focusing on humanitarian and disaster recovery efforts, and governmental institution building. The GOE contributed to the following multilateral and international organizations.

- The International and Estonian Red Cross,
- The UN Development Program (UNDP),

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- The UN High Commissioner for Refugees (UNHCR)
- The UN Office for the Co-ordination of Humanitarian Affairs (OCHA),
- The UN Children's Fund (UNICEF),
- The UN Voluntary Fund for Indigenous Populations,
- The UN Voluntary Fund for the International Decade of the World's Indigenous People,
- The OSCE Voluntary Fund for Activities Related to the Removal and Destruction of Russian Military Equipment and Ammunition from Moldova,
- The World Food Program (WFP), and
- The European Commission's Development Assistance Program.

¶17. (U) A geographical breakdown of Estonia's contributions to international projects reveals the following: Lebanon (31%), Sudan (30%), Indonesia (19%), Democratic Republic of Congo (15%), and Ukraine (5%). In 2008, Estonia will begin to contribute to the European Commission's "European Development Fund," which will increase Estonia's total development assistance expenditures and give it more influence in how and where EU development assistance is spent.

¶18. (SBU) The remaining 15% of Estonian assistance was in bilateral development assistance. Geographically, during 2006-2007, Estonian foreign aid can be broken down in the following: 59% for Asia, 35% for Europe, and 6% for Africa. This breakdown reflects the GOE's foreign assistance priority countries: Afghanistan, Georgia, Ukraine, and Moldova. In 2006, the GOE earmarked 52% of its total bilateral assistance for these four priority countries. (Note. More detailed information on Estonia's development assistance for Afghanistan has been reported (reftel) with a septel report on assistance to Georgia, Ukraine, and Moldova. End Note.)

¶19. (U) A relatively small slice of Estonia's bilateral assistance (less than 10%) was spent on high tech-focused projects, but these often attract the greatest

international attention and interest from aid recipient countries (e.g., the "Deer Leap" program to provide internet access in Georgian schools and the E-Governance Academy's efforts to help regional Egyptian authorities create a "paperless government"). According to Marje Lupp, MFA Director for Development Cooperation and Assistance, "There are many other countries with an IT reputation as good as or better than Finland, but Estonia had to create its IT/high tech industry from nothing in just over 16 years...which is why people want our expertise."

¶10. A full accounting of the MFA's assistance, including project specific details, is available on the MFA's website:
http://www.vm.ee/eng/kat_178/3463.html

The Future of Estonian Assistance

¶11. (SBU) The MFA is currently at work drafting a new development assistance strategy to succeed its 2003-2006 strategy. Our MFA interlocutors who were involved in the drafting have informed us that Estonia will continue to focus on sharing its experience in the areas of political and economic reform. While Belarus may be added as a priority country in the future, in the short- to mid-term Afghanistan, Georgia, Ukraine, and Moldova will continue to remain the GOE's priority countries. The GOE will keep its 0.1% of GDP assistance budget target, but MFA interlocutors have told us that their long term goal is 0.17% (which is the EU target for member states that joined in 2004) and they will continue to lobby the cabinet for the EU target.

¶12. (U) Since Estonian foreign assistance is modest in absolute terms, the GOE is seeking ways to promote more trade between itself and its priority countries. However, with a population of just 1.3 million, MFA interlocutors have told us that Estonia is actively lobbying within EU fora for the EU to open up the much larger EU market for developing states. In the July Eesti Express editorial, FM Paet wrote that development aid by itself is not enough to reduce poverty. He called on the EU to reduce and/or simplify its import tariffs on goods from developing countries to the EU market.

¶13. (SBU) Comment. In just over 16 years, Estonia has gone from an aid recipient to being a donor nation. Estonia is a model of political and economic transformation, which gives it a much higher level of influence and credibility with countries seeking its assistance. End Comment.

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